

## Message Text

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S E C R E T SECTION 1 OF 5 KUWAIT 1647

USEUCOM FOR POLAD

E.O. 11652: GDS  
TAGS: PFOR, ENRG, PINS, BEXP, MASS, EAID, EINV, CVIS, OPEC,  
PLO, KU, US, IZ, EG, SA  
SUBJECT: PARM - ANNUAL POLICY AND RESOURCE ASSESSMENT, PART I

REF: (A) CERP 0001, (B) STATE 049794, (C) STATE 038338,  
(D) STATE 038356.

PART I (A) -- UNITED STATES INTERESTS IN KUWAIT

1. PEACE AND STABILITY  
U.S. INTEREST IN PEACE AND POLITICAL STABILITY IN KUWAIT,  
AND IN THE MIDDLE EAST REGION AS A WHOLE, ACCORDS DIRECTLY  
WITH U.S. GLOBAL AND REGIONAL INTERESTS (S/P BROAD TRENDS  
PARA 10 H II AND NEA AREA SUPPLEMENT PARA 2). THE GOK'S CUR-  
RENT MODERATE ROLE AND INFLUENCE WITH THE CONFRONTATION STATES  
AND THE PLO - AS THE RESULT OF THE CONSIDERABLE FINANCIAL ASSIS-  
TANCE IT HAS PROVIDED -- CAN MAKE A USEFUL CONTRIBUTION TOWARD  
THE SUPPORT OF U.S. EFFORTS TO BRING ABOUT A SETTLEMENT OF  
THE ARAB-ISRAELI PROBLEM. POLITICAL THREATS TO KUWAIT'S  
STABILITY EXIST, INTERNALLY, IN THE FORM OF ITS LARGE PALESTINIAN

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MINORITY (ONE-QUARTER OF ITS POPULATION), WHICH HAS SO FAR BEEN  
QUIESCENT AND, EXTERNALLY, IN TERMS OF POSSIBLE AGGRESSION FROM  
IRAQ WHICH HAS AN INTEREST IN ACQUIRING TWO KUWAITI ISLANDS  
WHICH DOMINATE THE SHIP CHANNEL TO THE PORT OF UMM QASR.

2. CONTINUED RELIABILITY OF OIL SUPPLY AND RESTRAINT ON OIL  
PRICES.

ALTHOUGH NOT A MAJOR PRODUCER LIKE ITS NEIGHBORS, SAUDI ARABIA AND IRAQ, KUWAIT'S AVERAGE PRODUCTION OF 2 MILLION BARRELS PER DAY IS IMPORTANT TO PURCHASERS IN THE FAR EAST, PARTICULARLY JAPAN, AND ALSO TO SOME IN EUROPE. AN INCREASED PRODUCTION OF LIQUEFIED PETROLEUM GAS (LPG), SCHEDULED TO BECOME AVAILABLE AT THE END OF 1978, MAY BE EXPORTED TO THE UNITED STATES IN SUBSTANTIAL QUANTITIES, DEPENDING ON THE OUTCOME OF NEGOTIATIONS. AVAILABILITY OF THESE ENERGY SUPPLIES AT A FAIR AND REASONABLE PRICE IS IMPORTANT TO THE FUNCTIONING OF THE ECONOMIES OF ITS RECIPIENTS (S/P BROAD TRENDS PARA 4 AND NEA AREA SUPPLEMENT PARA 2). GIVEN GOK'S ACTIVE ROLE IN OPEC, ITS ATTITUDE TOWARD PRICE AND PRODUCTION LEVELS OF CRUDE OIL ARE SIGNIFICANT IN TERMS OF U.S. GLOBAL INTERESTS.

### 3. PROMOTION OF INVESTMENT AND TRADE.

THE FINANCIAL WEALTH OF KUWAIT AND, IN PARTICULAR, ITS VAST ACCUMULATION OF SURPLUS FUNDS AS THE RESULT OF INCREASED PRICES RECEIVED FOR ITS OIL ARE OF INTEREST TO THE U.S. IN TERMS OF OUR EXPORT SALES, BALANCE OF PAYMENTS, AND THE RECYCLING OF PETRODOLLARS. THE GOK HAS CONCENTRATED ITS PORTFOLIO INVESTMENTS IN THE U.S. AND HAS ADOPTED A VERY CONSERVATIVE APPROACH WITH RESPECT TO THEIR PLACEMENT AND MOVEMENT -- A POLICY WHICH IT IS IN THE U.S. INTEREST TO ENCOURAGE. WHILE KUWAIT'S IMPORT REQUIREMENTS ARE LIMITED BY ITS SIZE, THE VOLUME OF U.S. SALES OF GOODS AND SERVICES HAS RISEN SHARPLY, TO THE BENEFIT OF OUR BALANCES OF TRADE AND PAYMENTS.

## PART I (B) - OVERVIEW

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1. AS IS ONLY NATURAL FOR A SMALL BUT WEALTHY OIL-PRODUCING STATE SURROUNDED BY LARGE NEIGHBORS, KUWAIT'S BASIC INTERESTS ARE THE MAINTENANCE OF ITS INDEPENDENCE AND TERRITORIAL INTEGRITY AND THE CONTROL OVER THE DISPOSITION OF ITS NATURAL AND FINANCIAL RESOURCES. ITS GOVERNMENT'S POLICIES ARE, IN ESSENCE, DETERMINED BY THE NEED TO SAFEGUARD THESE BASIC INTERESTS.

2. RELATIONS BETWEEN THE USG AND GOK ARE CORDIAL AND RELATIVELY OPEN. OVERALL, KUWAITI LEADERS TEND TO TRUST THE UNITED STATES, WHILE NONETHELESS REFLECTING MAJOR THIRD WORLD NOTIONS ABOUT GREAT POWER INFLUENCE. KUWAIT IS NOT AN AMERICAN ALLY NOR DOES IT WISH TO BE, BUT ITS LEADERS SHARE WITH US A RELATIVELY CONSERVATIVE WORLD-VIEW WHICH EMPHASIZES THE BENEFITS OF STABILITY AND OF A MARKET ECONOMY. KUWAIT'S LACK OF HUMAN, TERRITORIAL AND MILITARY RESOURCES PLACES IT ON THE DEFENSIVE, BUT ITS HUGE PETROLEUM (AND THEREFORE FINANCIAL) RESOURCES (RESERVES ESTIMATED AT ABOVE 60 BILLION BARRELS) GIVE IT INFLUENCE BEYOND ITS PHYSICAL SIZE. KUWAIT FEELS DANGEROUSLY EXPOSED TO THE POSSIBLE AVARICE AND POTENTIAL POLITICAL RESENTMENT OF ITS LARGE NEIGHBORS, BUT IT

CHOOSES TO ESCHEW PROTECTIVE ALLIANCES IN FAVOR OF A POLICY OF FRIENDSHIP WITH ALL. IT CONSIDERS THAT IDENTIFICATION WITH EITHER SOVIET OR U.S. WORLD INTERESTS WOULD COST IT MORE, IN REGIONAL TERMS, THAN THE BENEFITS WHICH WOULD ACCRUE IN A CRISIS FROM SUCH ASSOCIATION. THUS, KUWAIT IS A DEVOTED THIRD WORLD PARTICIPANT, BUT IS DEFINITELY SUSPICIOUS OF THE COMMUNIST WORLD AND RECOGNIZES ITS STAKE IN THE CONTINUED PROSPERITY OF THE INDUSTRIALIZED WORLD. IT COMBINES A RELUCTANCE TO TIE ITSELF TOO VISIBLY TO THE WEST WITH A CLEAR APPRECIATION OF WHERE ITS BASIC INTERESTS LIE.

3. KUWAIT FEELS ITSELF, RIGHTLY, INTERDEPENDENT WITH THE ARAB WORLD WHICH SURROUNDS IT, AND ACTIVELY ESPOUSES "ARAB" AND "PALESTINIAN" CAUSES. THE EXISTENCE OF A SUBSTANTIAL PALESTINIAN MINORITY (ONE-QUARTER OF APPROXIMATELY ONE MILLION POPULATION) IN KUWAIT OBVIOUSLY INFLUENCES ITS POSITION ON THE LATTER. IT HANDLES ITS RELATIONSHIP WITH THE PLO DELICATELY BUT FIRMLY, AT THE SAME TIME CONTRIBUTING GENEROUSLY TO ITS SUPPORT.

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4. KUWAIT LOOKS TO THE USG AS HER PRINCIPAL SOURCE OF ARMAMENT

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(FMS SALES HAVE REACHED \$650 MILLION WITH A POTENTIAL OF NEARLY

ONE BILLION) TO DEFEND HER TERRITORY, PARTICULARLY AGAINST IRAQ WHICH REPRESENTS A CONTINUING AND ACTIVE THREAT, BECAUSE OF ABSENCE OF AGREED BORDERS AND IRAQI COVETING OF TWO ISLANDS WHICH DOMINATE THE SHIP CHANNEL TO THE PORT OF UMM QASR AT THE TOP OF THE PERSIAN GULF. YET KUWAIT HAS NEVER SOUGHT GUARANTEES FROM THE U.S. AGAINST SUCH A DANGER. IF ACTUAL AGGRESSION WERE TO OCCUR, HOWEVER, THE U.S., TOGETHER WITH BRITAIN, COULD BE EXPECTED TO BE INCLUDED IN KUWAIT'S PLEAS FOR ASSISTANCE DIRECTED ALSO TO FRIENDLY ARAB NEIGHBORS, IRAN AND THE U.N.

5. KUWAIT APPEARS ALSO TO REGARD THE UNITED STATES AS THE REPOSITORY OF THE BEST MODERN WISDOM IN A GREAT VARIETY OF FIELDS--THE U.S. IS ITS CHOSEN COUNTRY FOR EDUCATION AND TRAINING OF YOUNG KUWAITIS,--THOUGH HER SELECTION OF TECHNOLOGY TO BE PURCHASED OFTEN DEPENDS MORE ON COST AND AVAILABILITY THAN ON TECHNOLOGICAL CONVICTION. NEVERTHELESS, UNDER EQUIVALENT CIRCUMSTANCES, KUWAIT WOULD GENERALLY OPT FOR U.S. PRODUCTS WHICH IT RECOGNIZES TO BE OF GENERALLY HIGHER QUALITY. THUS, KUWAIT IS A SIGNIFICANT PURCHASER OF U.S. GOODS AND SERVICES WITH IMPORTS FROM THE U.S. HAVING REACHED A LEVEL OF \$472 MILLION IN 1976, REPRESENTING A  
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FAVORABLE CONTRIBUTION TO OUR BALANCE OF TRADE.

6. BECAUSE OF ITS GREAT PETROLEUM RESOURCES, KUWAIT IS A RESERVOIR OF FINANCIAL ASSETS ESTIMATED AT OVER \$20 BILLION. SURPLUSES ARE INVESTED IN THE WEST, WITH A SIGNIFICANT PROPORTION PLACED IN LONG TERM INVESTMENTS IN THE U.S. KUWAIT IS A GENEROUS DONOR TO INTERNATIONAL AID EFFORTS, ESPECIALLY WITHIN THE ARAB WORLD, AND WE ENCOURAGE THESE DONATIONS, ESPECIALLY TO COUNTRIES LIKE EGYPT WHOSE POLITICAL STABILITY AND ECONOMIC SUCCESS IS OF POLITICAL IMPORTANCE TO US, AS WELL AS, OF COURSE, TO NEEDY LDCS IN GENERAL. IN DIALOGUE WITH KUWAITI LEADERS ON THIS RANGE OF SUBJECTS, WE MEET A FRANK COMBINATION OF DESIRE TO BE HELPFUL AND BUSINESS-LIKE DETERMINATION NOT TO WASTE MONEY.

7. IN FURTHERANCE OF U.S. INTERESTS AS THEY PERTAIN TO KUWAIT OVER THE NEXT TWO YEARS, I SEE LITTLE CHANGE OF POLICY NECESSARY. CERTAIN OF OUR REPRESENTATIONS MAY NEED TO BE INTENSIFIED AT THE APPROPRIATE TIME, BUT ESSENTIALLY OUR CURRENT POLICY APPROACHES WILL STILL BE VALID. BECAUSE OF KUWAIT'S GROWING ROLE AS THE RESULT OF ITS IMPORTANT FINANCIAL SUPPORT OF THE ARAB AND PALESTINIAN CAUSES, IT HAS THE OPPORTUNITY TO EXERT A MODERATING INFLUENCE--MORE THAN LIKELY IN CONJUNCTION WITH SAUDI ARABIA -- ON THE CONFRONTATION STATES AND THE PLO AT APPROPRIATE STAGES IN THE PREPARATIONS FOR AND NEGOTIATIONS DURING A MIDDLE EAST PEACE CONFERENCE. IF OFFICIAL U.S. CONTACTS WITH THE PLO ARE DEEMED ADVISABLE AT A PARTICULAR STAGE IN THE PREPARATIONS FOR A MEPC, WE MIGHT TAKE ADVANTAGE OF THE FOREIGN MINISTER'S OFFER TO

ARRANGE THEM FOR US.

8. ALTHOUGH WE CANNOT HOPE TO GAIN CONSISTENT KUWAITI SUPPORT FOR ALL OUR INITIATIVES IN MULTILATERAL MATTERS OF MUTUAL INTEREST, WE SHOULD CONSIDER MAKING FIRMER REPRESENTATIONS THAN IN THE PAST ON SELECTED ISSUES WITH THE AIM OF ENCOURAGING A DEMONSTRATION OF GREATER RESPONSIBILITY AND MODERATION BY KUWAIT IN INTERNATIONAL AFFAIRS. WE HAVE HAD SOME SUCCESS IN SUCH EFFORTS OVER THE RECENT

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PERIOD, E.G., INCREASED GOK CONTRIBUTION TO UNRWA, AND CONTRIBUTION OF PROFITS FROM IMF GOLD SALES TO A FUND FOR LDCS.

9. WE SHOULD ALSO ADOPT AND IMPLEMENT A FIRMER POLICY OF OPPOSITION TO UNREASONABLE AND IRRESPONSIBLE OIL PRICE INCREASES BY OPEC. OUR EFFORTS SHOULD BE DIRECTED PRIMARILY AT THE MAJOR PRODUCERS PUSHING FOR HIGHER PRICES, BUT SHOULD ALSO INCLUDE OTHER OPEC COUNTRIES, SUCH AS KUWAIT, WHO TEND TO GO ALONG WITH THE CONSENSUS. THESE REPRESENTATIONS SHOULD BE COORDINATED WITH MAJOR CONSUMERS, AND, WHERE POSSIBLE, WITH SERIOUSLY AFFECTED LDC'S.

10. I BELIEVE SUCH DIRECT AND FIRM EXPRESSIONS OF OUR POLICY VIEWS WILL MAKE A USEFUL IMPACT ON KUWAITI THINKING AND POSITIONS WITHOUT BEING COUNTERPRODUCTIVE, PROVIDED THIS APPROACH IS USED SELECTIVELY. ESPECIALLY IMPORTANT IN THIS CONNECTION IS CONTINUING EVIDENCE OF U.S. INTEREST AND COOPERATION IN THE VARIETY OF FIELDS WHERE WE HAVE CONTACTS WITH KUWAIT, I.E., TRADE AND INVESTMENT, EDUCATION AND SCIENTIFIC AFFAIRS, ETC. NATURALLY, LEGISLATION ON THE ARAB BOYCOTT ADOPTED BY THE U.S. AND ANY REGULATIONS PERTAINING TO FOREIGN INVESTMENT WILL BE SCRUTINIZED FOR INDICATIONS OF SINCERITY OF U.S. ATTITUDES TOWARD THE ARAB WORLD IN GENERAL, AND KUWAIT IN PARTICULAR.

11. IN THE SAME SENSE, THE EFFECT ON KUWAIT'S DEFENSE-BUILDING PROGRAM OF THE NEW ARMS SALES POLICY TO BE PROMULGATED SHORTLY BY THE ADMINISTRATION WILL BE WEIGHED VERY CAREFULLY HERE ON THE SCALES OF U.S.-KUWAITI COOPERATION. ALTHOUGH THE GOK HAS ACQUIRED WEAPONS FROM OTHER WESTERN NATIONS, AND WILL OBTAIN SOME ALSO FROM THE SOVIET UNION, THE KUWAIT ARMED FORCES HAS INDICATED A CLEAR PREFERENCE FOR U.S. ARMS. FAILURE OF THE USG TO PROVIDE THOSE WEAPONS TO MEET KUWAIT'S LEGITIMATE DEFENSE REQUIREMENTS WILL NOT MATERIALLY AFFECT ITS DEFENSE PROGRAM, SINCE THESE CAN BE OBTAINED FROM OTHER SOURCES. HOWEVER, SUCH A U.S. POSITION WILL REDUCE OUR POSSIBILITIES TO LIMIT THE DEVELOPMENT OF SOVIET INFLUENCE THROUGH THE PROVISION OF ARMS WHICH WE WILL NOT

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SUPPLY. MOREOVER, IT COULD DEPRIVE US OF THE CAPACITY TO  
INFLUENCE TO SOME ADDED EXTENT THE CHARACTER OF THIS NEW KUWAITI  
INSTITUTIONAL FORCE. FINALLY, IT WOULD ALSO BELIE OUR EXPRESSED

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USEUCOM FOR POLAD

INTEREST IN KUWAIT IN AN AREA WHICH IS PARTICULARLY SENSITIVE  
BECAUSE OF THE CONTINUING THREAT FROM IRAQ.

PART I (C) - POLICY OBJECTIVES, COURSES OF ACTION AND ISSUES.

1. OBJECTIVE: ENCOURAGE GOK SUPPORT FOR U.S. PEACE EFFORTS  
IN THE MIDDLE EAST.

COURSES OF ACTION:

A. KEEP GOK OFFICIALS AND KUWAITI PUBLIC ACCURATELY INFORMED  
ON USG INTENTIONS AND POLICY DEVELOPMENTS WITH RESPECT TO A  
MIDDLE EAST SETTLEMENT.

B. BE ALERT TO OPPORTUNITIES TO URGE GOK TO COUNSEL MODERATION  
AND COMPROMISE THROUGH ITS RELATIONS WITH THE ARAB CONFRONTATION  
STATES AND ITS EXCELLENT CONTACTS WITH THE PLO.

C. ENCOURAGE GOK TO MAINTAIN CURRENT GENEROUS LEVEL OF  
FINANCIAL ASSISTANCE TO EGYPT BOTH BILATERALLY AND THROUGH MULTI-  
LATERAL ARRANGEMENTS. ALSO ENCOURAGE GOK TO RENDER SIMILAR

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ASSISTANCE TO OTHER ARAB STATES WHOSE ECONOMIC STABILITY IS CRUCIAL TO CONTINUED PROGRESS TOWARD A MIDDLE EAST PEACE SETTLEMENT AND, INCLUDING PARTICULARLY, PROJECT ASSISTANCE FOR REHABILITATION AND RECONSTRUCTION OF LEBANON.

D. BUILD MUTUAL U.S.-KUWAITI UNDERSTANDING AND CONFIDENCE IN OUR MIDDLE EAST PEACE EFFORTS THROUGH APPROPRIATE HIGH-LEVEL VISITS BY SENIOR USG OFFICIALS.

ISSUES: WHILE KUWAIT SHARES THE GENERAL ARAB VIEW OF THE ARAB-ISRAELI DISPUTE, KUWAITIS ARE CONCERNED WITH THE IMPACT OF THIS PROBLEM ON THEIR OWN INTERNAL STABILITY. TO THE EXTENT THAT GOK IS NOT ISOLATED IN SUCH A POSITION, IT WILL SEEK TO ASSERT A MODERATING INFLUENCE, AND USE ITS WEALTH ACCORDINGLY. GOK FLEXIBILITY IS LIMITED BY ITS LARGE PALESTINIAN MINORITY WITH WHICH IT HAS BEEN CAREFUL TO MAINTAIN GOOD RELATIONS BY ESPOUSING PLO POSITIONS PROVIDED THEY WERE NOT TOO RADICAL. IN THE CONTEXT OF OUR EFFORTS TO PROMOTE A PEACEFUL MIDDLE EAST SETTLEMENT, U.S. FAILURE TO TAKE PALESTINIAN ASPIRATIONS ADEQUATELY INTO ACCOUNT WILL PRESENT A SERIOUS OBSTACLE TO THE ACCOMPLISHMENT OF THIS OBJECTIVE. IN ENCOURAGING KUWAIT'S ASSISTANCE TO THE CONFRONTATION STATES AND LEBANON, WE WILL FIND GOK'S GENEROSITY TEMPERED BY ACTIVE CONCERN THAT RECIPIENTS MAKE EFFECTIVE USE OF FUNDS PROVIDED.

2. OBJECTIVE: PROMOTE GOK POLITICAL AND FINANCIAL SUPPORT FOR US MULTILATERAL POLITICAL AND ECONOMIC OBJECTIVES.

COURSES OF ACTION:

A. CONSULT WITH GOK OFFICIALS ON OUR POSITIONS WITH RESPECT TO MATTERS OF MUTUAL INTEREST IN THE INTERNATIONAL ARENA, PARTICULARLY IN THE CONTEXT OF UN AND INTERNATIONAL ORGANIZATIONS IN WHICH WE ARE BOTH MEMBERS. IN SUCH CONSULTATIONS, ENCOURAGE KUWAIT TO ACT IN A RESPONSIBLE AND MODERATE FASHION IN CONJUNCTION WITH OUR OWN APPROACH ON VARIOUS GLOBAL ISSUES, RATHER THAN AUTOMATIC-  
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ALLY FOLLOW A THIRD WORLD POSITION GENERALLY DICTATED BY ITS MORE RADICAL MEMBERS.

B. SEEK TO PERSUADE GOK TO CONTRIBUTE GENEROUSLY TO INTERNATIONAL ORGANIZATIONS AND PROJECTS WHICH SUPPORT US BILATERAL OBJECTIVES AND PROMOTE THE DEVELOPMENT OF LDCS.

C. IN THE CONTEXT OF INTERNATIONAL ORGANIZATIONS, SEEK TO OFFER GOK REPRESENTATIVES AN OPPORTUNITY TO PLAY A GREATER ROLE IN THE DIRECTION AND MANAGEMENT OF THOSE INSTITUTIONS TO WHICH THEY MAKE A SUBSTANTIAL CONTRIBUTION.

ISSUES: ALTHOUGH KUWAIT IS ALREADY, IN STATISTICAL TERMS, AT OR NEAR THE TOP OF THE LIST OF NATIONS CONTRIBUTING FINANCIAL ASSISTANCE TO OTHERS, IN RELATION TO ITS GNP, IT HAS TENDED TO EMPHASIZE AID TO OTHER ARAB AND MUSLIM STATES. HOWEVER, IT COMMENCED THROUGH ITS FINANCIAL INSTITUTIONS TO PROVIDE ASSISTANCE TO OTHER LDCS AND TO INCREASE ITS PARTICIPATION IN INTERNATIONAL INSTITUTIONS. WITH RESPECT TO THE LATTER, THOUGH, THERE STILL EXISTS A CERTAIN RELUCTANCE AND HESITATION WHICH NEEDS TO BE OVERCOME. NEVERTHELESS, WE SHOULD RESPECT KUWAIT'S OWN CONSIDERABLE EXPERIENCE AS AN AID DONOR AND, WHILE MAKING OUR VIEWS CLEARLY KNOWN, AVOID GIVING THE APPEARANCE OF TRYING TO DICTATE KUWAITI AID POLICIES. THE GOK'S DESIRE TO MAINTAIN ITS THIRD WORLD CREDENTIALS, AND ITS RELUCTANCE TO STRAY NOTICEABLY FROM WHAT IT CONSIDERS TO BE THE ARAB POSITION ON ANY INTERNATIONAL ISSUE, INHIBIT KUWAITI FLEXIBILITY IN RESPONDING POSITIVELY TO US INITIATIVES ON MULTILATERAL POLITICAL AND ECONOMIC ISSUES. HOWEVER, THERE IS SOME EVIDENCE OF GROWING KUWAITI SELF-ASSURANCE IN THIS SPHERE, REFLECTING STRENGTHENED RELATIONS WITH NEWLY ACTIVE SAUDI ARABIA AND, PERHAPS, GROWING CONFIDENCE IN THE UNITED STATES AS A DISINTERESTED FRIEND.

3. OBJECTIVE: ASSURE RELIABILITY OF OIL SUPPLIES AT FAIR PRICES TO CONSUMING COUNTRIES.

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COURSE OF ACTION: SEEK TO CONVINCE KUWAIT BY SERIOUS DIPLOMATIC REPRESENTATIONS THAT, AS AN OIL PRODUCER AND A MEMBER OF OPEC, IT SHOULD ADOPT A MORE RESPONSIBLE GLOBAL OUTLOOK WITH RESPECT TO

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USEUCOM FOR POLAD

THE IMPACT OF OIL SUPPLY AND PRICING. THIS SHOULD BE PART OF A  
GENERAL COORDINATED CONSUMER APPROACH TO OPEC COUNTRIES TO  
IMPRESS EACH OF THEM WITH THE SERIOUS GLOBAL ECONOMIC CON-  
SEQUENCES OF THEIR DECISIONS IN ORDER TO LEAVE NO DOUBT IN THEIR  
MINDS OF OUR STANCE ON THIS ISSUE.

ISSUE: KUWAIT, LIKE OTHER OPEC COUNTRIES, IS CONCERNED WITH  
BENEFITING TO THE GREATEST EXTENT POSSIBLE FROM ITS DIMINISHING  
NATURAL RESOURCE, ALTHOUGH IN KUWAIT'S CASE ITS EXTENSIVE RESERVES  
ARE ESTIMATED TO LAST AT LEAST 70 YEARS. KUWAITIS IDEALLY WISH TO  
MAXIMIZE THEIR RETURN WHILE DEPLETING THIS RESOURCE AT THE SLOWEST  
POSSIBLE RATE. NEVERTHELESS, THROUGH THE FACILITIES FOR INVESTMENT  
OFFERED TO THEM IN THE US AND THROUGH THE ADVANCED TECHNOLOGY  
PROVIDED THEM VIA US AND WESTERN PARTICIPATION IN THEIR DEVELOP-  
MENT PROJECTS, KUWAIT IS ACQUIRING FINANCIAL AND TECHNOLOGICAL  
BENEFITS WHICH WILL BE ENDANGERED IF GLOBAL ECONOMIC STABILITY IS  
THREATENED BY IRRESPONSIBLE PRICING POLICIES FOLLOWED WITH RESPECT  
TO OIL. HOWEVER, WHILE ATTEMPTING TO BRING THIS POINT HOME TO  
KUWAITIS, WE SHOULD MAKE PARALLEL EFFORTS WITH THOSE MAJOR OIL  
PRODUCERS WHO ARE PUSHING FOR HIGHER PRICES, SINCE KUWAIT IS  
UNLIKELY TO BE RESPONSIVE IN THE ABSENCE OF PRICING FLEXIBILITY  
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SHOWN BY IMPORTANT OPEC COLLEAGUES.

4. OBJECTIVE: ENCOURAGE MAINTENANCE OF HIGH LEVEL OF KUWAITI  
INVESTMENT IN U.S.

COURSES OF ACTION:

A. FACILITATE CONTINUED GOK INVESTMENT POLICY AND PRACTICE  
WHICH CONCENTRATE PORTFOLION INVESTMENT IN THE U.S.

B. BUILD CLOSE RELATIONSHIP BETWEEN U.S. TREASURY AND GOK  
MINISTRY OF FINANCE BY PROMOTING EXCHANGE OF VISITS BETWEEN THE  
SECRETARY OF THE TREASURY AND THE FINANCE MINISTER AS WELL AS  
BETWEEN OTHER HIGH LEVEL U.S. AND KUWAITI OFFICIALS CONCERNED

WITH INVESTMENT MATTERS.

C. MAINTAIN CONFIDENTIALITY OF FOREIGN INVESTMENTS IN CONTEXT OF LEGAL FRAMEWORK REGULATING SUCH INVESTMENTS IN THE U.S.

ISSUE: GOK INVESTMENT IN U.S. HAS BEEN CONDUCTED ON VERY CONSERVATIVE AND RESPONSIBLE BASIS, CONCENTRATING ON BLUE CHIP SECURITIES WITHIN THE LIMIT OF 5 PERCENT SHARE ACQUISITION. GOK AUTHORITIES, HOWEVER, ARE ESPECIALLY SENSITIVE TO ANY DISCLOSURE REQUIREMENTS WHICH WOULD REVEAL EXTENT OF THEIR HOLDINGS IN THE U.S. AND HAVE THREATENED, FOR EXAMPLE, TO WITHDRAW DEPOSITS RATHER THAN HAVE THEIR AMOUNT PUBLICLY DISCLOSED. PROVIDING FINANCIAL ATMOSPHERE REMAINS STABLE AND WELCOME, GOK INVESTMENTS IN U.S. SHOULD CONTINUE TO GROW.

5. OBJECTIVE: INCREASED SALES OF U.S. GOODS AND SERVICES TO KUWAIT.

COURSES OF ACTION:

A. INCREASE COMMERCIAL AND CONSULAR SECTION RESOURCES IN ORDER TO MEET EXPANDING REQUIREMENTS FOR ASSISTANCE TO U.S. AND  
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LOCAL BUSINESS FIRMS AND REPRESENTATIVES.

B. SEEK TO ELICIT FLEXIBLE GOK ADMINISTRATION OF THE ARAB BOYCOTT OF ISRAEL.

C. WITHIN POLICY GUIDELINES ON ARMS SALES, FACILITATE APPROVED FMS AND COMMERCIAL MILITARY SALES.

D. PROVIDE, THROUGH GOVERNMENT FACILITATION, SURETY BOND INSURANCE FOR REQUIRED BID AND PERFORMANCE BOND GUARANTEES.

E. BE PREPARED TO PROVIDE REIMBURSABLE TECHNICAL ASSISTANCE TO GOK WHEREVER SUCH ASSISTANCE IS WELCOME.

F. ISSUE MULTIPLE ENTRY VISAS FOR BUSINESS AND TOURISM IN ORDER TO FACILITATE COMMERCIAL EXCHANGE AND TO REDUCE OUR CONSULAR WORKLOAD, DESPITE GOK REFUSAL TO RECIPROCATATE.

ISSUES: U.S. ANTI-BOYCOTT LEGISLATION UNLESS CAREFULLY DRAFTED, COULD SEVERELY HAMPER EXPANSION OR MAINTENANCE OF THE VOLUME OF U.S. EXPORTS TO KUWAIT. OTHER NATIONS' TECHNICIANS, SALESMEN AND MANAGERS ARE READY AND ABLE TO SUPPLANT US HERE IN VIRTUALLY EVERY FIELD IF THEIR U.S. COUNTERPARTS BECOME UNABLE, OWING TO DOMESTIC LEGISLATION, TO DO BUSINESS WITH KUWAIT. LIKEWISE, AMENDMENTS TO U.S. TAX LAWS, MAKING IT LESS ADVANTAGEOUS FOR AMERICANS IN THE PRIVATE SECTOR TO WORK OVERSEAS, MAY DRASTICALLY

REDUCE U.S. ABILITY TO PROMOTE THE SALES OF U.S. GOODS AS WELL AS ENABLE OUR COMPANIES TO PARTICIPATE IN LUCRATIVE DEVELOPMENT PROJECTS. GOK HAS HISTORICALLY REFUSED TO AGREE TO MULTIPLE ENTRY VISAS, ON GROUNDS THAT, FOR POLITICAL AND SECURITY REASONS, IT MUST TIGHTLY CONTROL VISAS ISSUED TO OTHER ARAB NATIONALS, AND GOK DOES NOT WISH TO BE SEEN GRANTING MORE FAVORABLE ACCESS TO AMERICANS THAN TO ARABS.

6. OBJECTIVE: EXPANSION OF U.S. INFLUENCE THROUGH PROMOTION OF CLOSER RELATIONSHIP AND CONFIDENCE BETWEEN GOK AND USG.

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COURSES OF ACTION:

A. CONTINUE AND INCREASE, TO THE EXTENT POSSIBLE, CLOSER CONSULTATION AND COOPERATION BETWEEN KUWAIT AND THE U.S. BY EXPLAINING OUR POLICIES ON ISSUES AFFECTING THEM, PARTICULARLY INTERNATIONAL AND FINANCIAL AND, EXPECIALLY, MIDDLE EASTERN ONES.

B. DEMONSTRATE OUR INTEREST IN THE MAINTENANCE OF KUWAIT'S STABILITY AND SECURITY BY RESPONDING TO THEIR REASONABLE AND LEGITIMATE DEFENSE REQUESTS TO PURCHASE ARMS AND OBTAIN MILITARY TRAINING IN THEIR USE.

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ACTION NEA-10

INFO OCT-01 ISO-00 SS-15 SP-02 PER-01 SIG-01 A-01  
MMO-01 EB-08 SCA-01 IO-13 INR-07 PM-04 CU-02  
AGRE-00 AID-05 CIAE-00 COME-00 DODE-00 FEA-01  
NSC-05 TRSE-00 USIA-06 /084 W  
-----301042Z 048791 /22

R 300800Z MAR 77  
FM AMEMBASSY KUWAIT  
TO SECSTATE WASHDC 7630  
INFO USEUCOM

S E C R E T SECTION 5 OF 5 KUWAIT 1647

USEUCOM FOR POLAD

C. RESPOND TO KUWAITI REQUESTS FOR ASSISTANCE AND ADVICE IN THE EDUCATIONAL, SCIENTIFIC AND TECHNICAL FIELDS.

D. SEEK TO DEVELOP A PROGRAM WHICH WILL PROMOTE CULTURAL AFFAIRS IN FIELDS WHERE KUWAITIS ARE READY AND ANXIOUS TO DEVELOP THEIR INTERESTS.

ISSUE: SINCE THE U.S. HAS LITTLE SPECIFIC LEVERAGE IN KUWAIT, WE MUST RELY ON THE TOTAL MIX OF OUR RELATIONS WITH GOK TO CONTRIBUTE TO THE GROWTH OF KUWAITI CONFIDENCE IN THE U.S. AS A DISINTERESTED FRIEND WHOSE COUNSEL SHOULD BE HEEDED. OUR HANDLING OF THOSE RELATIONS SHOULD SPECIFICALLY INCLUDE ACKNOWLEDGMENT THAT KUWAIT HAS BECOME A SIGNIFICANT FACTOR IN MIDDLE EAST AND BROADER INTERNATIONAL AFFAIRS. A CENTRAL ELEMENT IN THIS SITUATION WILL BE CONTINUATION OF OUR MILITARY SUPPLY RELATIONSHIP WHICH HAS TRAVELED A SUCCESSFUL BUT SOMETIMES ROCKY ROAD SO FAR. IN THE CONTEXT OF PRESENTLY EVOLVING USG POLICY TOWARDS ARMS SALES, WE SHOULD BE MINDFUL THAT THE U.S. MILITARY RELATIONSHIP WITH GOK WAS DESIGNED AND IS BEING IMPLEMENTED, IN THIS THOROUGHLY UNWARLIKE NATION, WITH AN EYE ONLY TO ENHANCING KUWAIT'S DEFENSIVE POSTURE AND TO PRE-EMPTING THE DEVELOPMENT OF AN UNDESIRABLE MILITARY RELATIONSHIP

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WITH ELEMENTS HOSTILE TO U.S. INTERESTS IN THE GULF. A SUDDEN USG TURNING AWAY FROM KUWAIT IN THIS SPHERE COULD HAVE A HARMFUL IMPACT ON GOK'S CONCEPT OF THE USG AS A RELIABLE "SILENT PARTNER". ADDITIONAL EFFORTS BY THE U.S. TO RESPOND TO KUWAIT'S NEEDS OR DESIRES IN THE EDUCATIONAL, SCIENTIFIC, TECHNICAL AND CULTURAL FIELDS WILL HELP TO PROMOTE A RESPONSIBLE WORKING RELATIONSHIP AND ENHANCE GOK CONFIDENCE AND TRUST IN U.S. INTENTIONS, THE EFFECT OF WHICH CAN SPREAD, UNDER FELICITOUS CIRCUMSTANCES, INTO THE POLITICAL AND ECONOMIC FIELDS AS WELL.

MAESTRONE

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## Message Attributes

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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
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